TREASURY WINE ESTATES

Interim 2018 Results

31 January 2018

TREASURY WINE ESTATES

Michael Clarke

Chief Executive Officer

Result headlines[1,2,3]

- Reported Net Profit After Tax[4] of $187.2m; up 37%
- Reported Earnings Per Share (EPS) of 25.6 cents per share; up 38%
- EBITS[5] of $283.3m, 25% higher than 1H17 EBITS
- All regions delivered EBITS and EBITS margin growth in 1H18
- Group EBITS margin up 4.4ppts to 21.9%
- Diageo Wine integration now complete
- Proactive exit from c.1m 9Le cases of lower margin Commercial volume;
  TWE expects to exit a further 0.5-1m 9Le cases in 2H18
- Robust cash conversion at 83.2%
- Interim dividend of 15 cents per share (75% franked); 2 cents per share higher than prior period (up 15%)
- Cumulative run-rate COGS savings target of $100m from Supply Chain Optimisation initiative delivered in 1H18
- On-market share buyback commenced in 1H18; $162.7m purchased during period

1. *Financial information in this report is based on reviewed financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by Management to assess the operational performance of the business and make decisions on the allocation of resources*
2. *All figures and calculations are subject to rounding*
3. *All Result Headlines metrics disclosed on a reported currency basis*
4. *Statutory Net Profit After Tax (including material items), includes a one-off tax benefit of $20.9m arising due to the restatement of TWE's net deferred tax liability in respect to its US operations following the recent enactment of the US Tax Cuts and Jobs Act*
5. *Earnings before interest, tax, SGARA and material items*

TWE

Announcing US route-to-market improvements

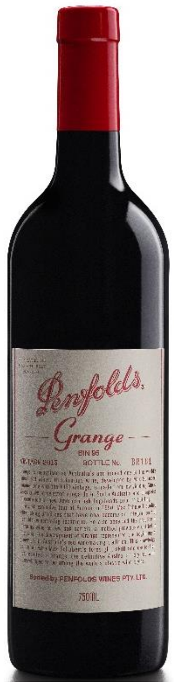
- **Transformational changes to US route-to-market to strengthen long-term outlook**
  - ✓ Leverages TWE's global competency of directly managing relationships with retail partners
  - ✓ Better positions TWE to collaborate with retail partners to drive category growth
  - ✓ Facilitates a shorter and more efficient value chain; enhancing profitability
  - ✓ Aligns TWE to distributor partners best placed to drive portfolio growth

- **Changes vary by state, from implementing direct and hybrid models, to changing distributors**
  - Direct sales and distribution model with largest key retail partners in California and Washington
  - Hybrid sales and distribution model with largest key retail partners in Florida, in collaboration with a new distributor partner
  - New distributor partners in Illinois, Colorado, South Carolina, Minnesota, Indiana, Hawaii, Iowa, West Virginia, Oregon, Alaska, North Dakota and South Dakota

- **Transition already underway; changes to be fully embedded by 2H19**
  - Route-to-market implementation (including distributor destocking) to be completed by end of F18
  - Operating model with retail and distributor partners to be fully embedded by 2H19

Brand and marketing highlights in 1H18

Recognition for TWE's Luxury brands

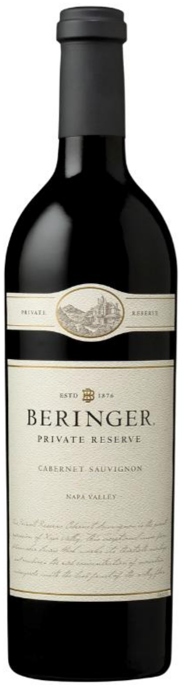


100 points

Robert Parker's Wine Advocate

97 points

Robert Parker's Wine Advocate



95+ points

Robert Parker's Wine Advocate

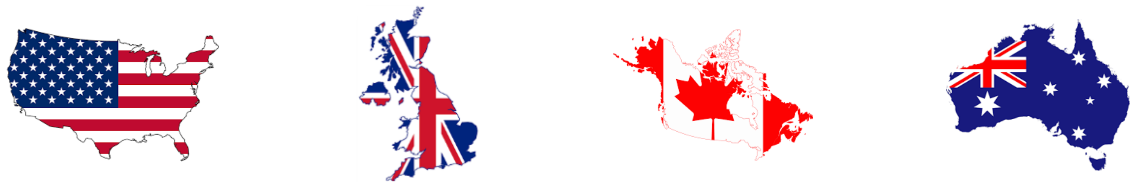
93 points

James Suckling

Brand and marketing highlights in 1H18

Growing the 19 Crimes brand globally

Expanding product range into new markets, leveraging stand-out success in the US



+ 131%[1]	+ 111%[1]	+ 50%[2]	+ 44%[1]

19 Crimes	The Warden	The Banished	Hard Chard	The Uprising

1. *Retail sales volume growth by region during 1H18: (US) IRI Market Advantage, Table $4+ excluding bag in box, 26 weeks ending 31/12/17, Total US Multi Outlet + Liquor; (UK) Nielsen, Total Coverage, Total Still Light Wine, 26 weeks ending 30 December 2017 (750ml bottle still wine only); and (Australia) Aztec Sales Volume Data | Bottled Wine Only | Australia Liquor Weighted | Scan 26 weeks to 31 December 2017*
2. *TWE shipment growth for the 6 months ending 31 December 2017*

TWE

Brand and marketing highlights in 1H18

Leading edge digital marketing

Living Wine Labels; connecting with different consumer groups through augmented reality

19 Crimes.

THE WALKING DEAD

GENTLEMAN'S COLLECTION

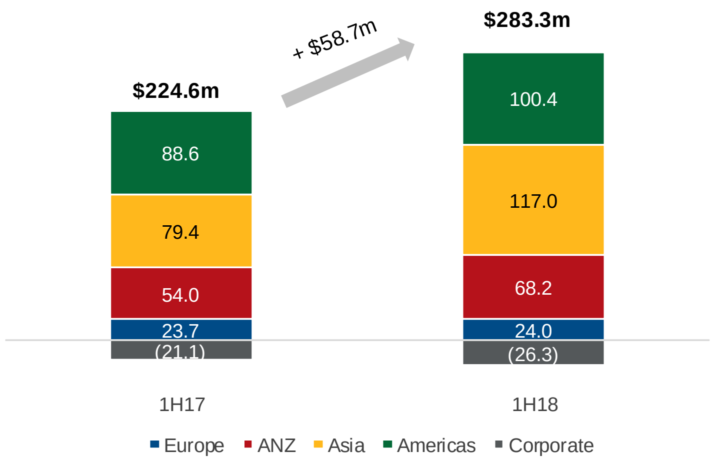
SINCE 1876 BERINGER BROS. BOURBON BARREL AGED WINES

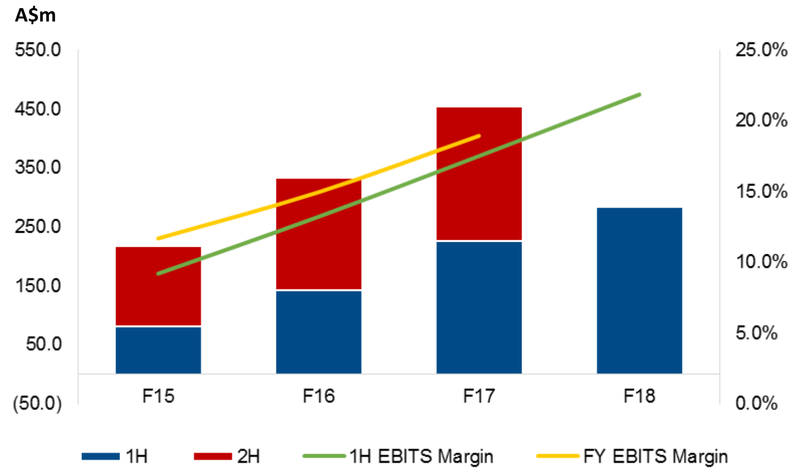
CHATEAU ST JEAN

Gunther Burghardt

Chief Financial Officer

Profit & Loss[1]





Strong 1H18 result delivered sustainably, with all regions contributing to profit growth and margin accretion

- EBITS up 26% to $283.3m, driven by premiumisation, strong momentum in Asia, above category growth in ANZ, Supply Chain savings, Diageo Wine synergies and lower Cost of Doing Business (CODB)
- Higher net finance costs, principally due to increased average borrowings driven by share buyback program, increased tax paid, and higher inventory including the new French portfolio and impact of reduced US shipments ahead of route-to-market changes
- Lower tax expense reflects a one-off benefit of $20.9m arising due to the restatement of TWE's net deferred tax liability in respect to its US operations following the recent enactment of the US Tax Cuts and Jobs Act
- TWE estimates that the recent enactment of the US Tax Cuts and Jobs Act will result in a c.2% to 4% EPS accretion in 2H18 as a result of the ongoing reduction in US corporate tax rate
- NPAT before material items and SGARA up $54.6m to $203.2m (+37%), principally driven by higher EBITS and lower tax expense

1. *Unless otherwise stated, all percentage or dollar movements from prior periods are pre-material items and on a constant currency basis*
2. *Stated on a reported currency basis*

Balance Sheet[1,2]

A$m	1H18	F17	1H17
Cash & cash equivalents	202.5	240.8	339.9
Receivables	662.1	607.9	622.3
Current inventories	1,051.5	947.9	927.3
Non-current inventories	662.2	763.9	645.2
Property, plant & equipment	1,319.1	1,328.5	1,354.2
Agricultural assets	37.0	37.7	37.2
Intangibles	1,090.6	1,095.8	1,120.3
Tax assets	138.7	208.0	245.8
Assets held for sale	15.5	36.0	37.7
Other assets	13.8	12.8	15.5
Total assets	**5,193.0**	**5,279.3**	**5,345.4**
Bank overdraft	-	-	-
Payables	764.7	719.9	704.2
Borrowings	699.1	600.5	640.2
Tax liabilities	197.8	285.0	273.0
Provisions	50.8	64.8	78.3
Other liabilities	3.3	0.6	1.3
Total liabilities	**1,715.7**	**1,670.8**	**1,697.0**
Net assets	**3,477.3**	**3,608.5**	**3,648.4**

Flexibility to pursue future value accretive opportunities

- Net assets down $171.1m on a reported currency basis; adjusting for movements in foreign currency, the decrease was $68.6m
- Factors impacting the decrease in net assets included:
  - Higher borrowings, driven by funding associated with the share buyback; partially offset by
  - Increase in net working capital, principally driven by higher inventory reflecting the 2017 vintages in Australia and California, the addition of Maison De Grand Esprit and Mouton Cadet inventory, and the impact of reduced US shipments ahead of route-to-market changes;
- Investment grade metrics maintained:
  - Net debt / EBITDAS, adjusted for operating leases, of 1.6x
  - Interest cover of 18.5x
- Weighted average term to maturity of committed facilities of 4.8 years, up from 3.9 in previous corresponding period (pcp) following optimisation of debt financing profile during 2H17

1. *Unless otherwise stated, all balance sheet percentage or dollar movements from the previous corresponding period are on a reported currency basis*
2. *Borrowings have been adjusted by $0.4m (1H17: $3.6m, F17: $4.1m) to reflect a fair value hedge of a portion of US Private Placement notes*

Cash flow and net debt[1]

Robust cash conversion; in line with TWE's target

A$m (unless otherwise stated)	1H18	1H17
EBITDAS	**330.8**	**283.9**
Change in working capital	(44.6)	15.8
Other items	(10.8)	(5.8)
Net operating cash flows before financing costs, tax & material items	**275.4**	**293.9**
Cash conversion	**83.2%**	**103.5%**
Capital expenditure	(83.9)	(60.7)
Net investment expenditure/other	35.8	14.7
Net interest paid	(13.2)	(11.5)
Tax paid	(70.2)	(22.8)
Dividends/distributions paid	(96.0)	(88.6)
Material item cash flows	(7.8)	3.1
On-market share purchases	(187.1)	(18.3)
Total cash flows from activities	**(147.0)**	**109.8**
Opening net debt	**(354.8)**	**(365.2)**
Total cash flows from activities (above)	(147.0)	109.8
Proceeds from settlement of derivatives	(0.2)	1.1
Debt revaluation and foreign exchange movements	6.5	(41.6)
Increase in net debt	**(140.7)**	**69.3**
Closing net debt	**(495.5)**	**(295.9)**

- Net debt[2] increased $199.6m to $495.5m
- Major drivers of the movement in net debt include share buyback program, increased tax, and higher inventory balance (including addition of French portfolio, and impact of reduced US shipments); partially offset by increased EBITDAS
- Cash conversion of 83.2%[3]; in line with TWE's target

Continued investment in a quality, sustainable asset base

A$m	1H18	1H17
IT spend	8.0	2.9
Oak purchases	16.4	15.7
Vineyard redevelopments	10.1	9.7
Upgrades to winemaking equipment and facilities	9.1	4.4
Other capital expenditure	17.0	9.9
Total maintenance and replacement capex	**60.6**	**42.6**
Diageo Wine Integration	23.3	15.6
Supply Chain Optimisation Initiatives	-	2.5
Total growth capex	**23.3**	**18.1**
Gross capital expenditure	**83.9**	**60.7**
Oak barrels under sale and leaseback arrangements	(15.0)	(11.6)
Net capital expenditure	**68.9**	**49.1**

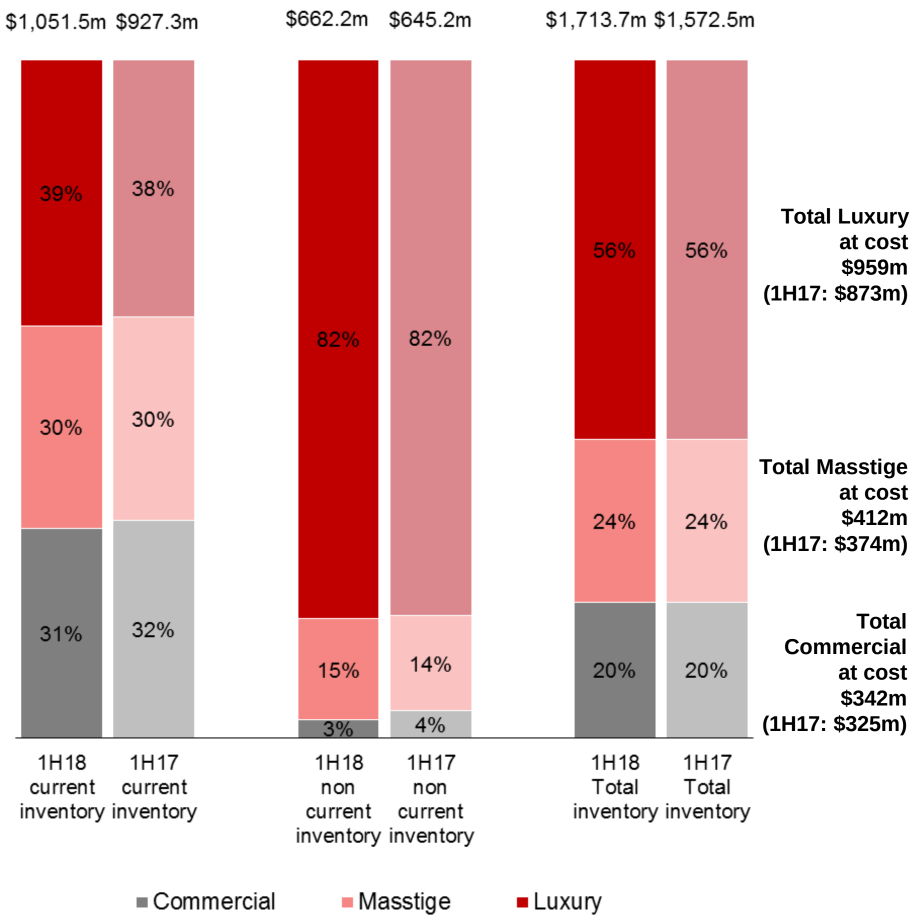
- Capital expenditure (capex) up $23.2m to $83.9m comprising of:
  - Maintenance & Replacement capex of $60.6m; and
  - Growth capex of $23.3m for Diageo Wine integration
- Due to timing of payments, capex includes $21.3m of additions from F17
- Offsetting oak purchases were barrels disposed under sale and lease back arrangements of $15.0m
- F18 capex expected to be in line with previous guidance

1. *All cash flow percentage or dollar movements from the previous corresponding period are on a reported currency basis*
2. *Borrowings have been adjusted by $0.4m (1H17: $3.6m, F17: $4.1m) to reflect a fair value hedge of a portion of US Private Placement notes*
3. *Cash conversion is calculated as net operating cash flows before financing costs, tax and material items divided by EBITDAS*

TWE

Inventory analysis

Inventory at book value split by segment[1,2,3]



Premium inventory balance to support earnings and margin growth in F19 and beyond

- Total inventory increased $141.2m to $1,713.7m, reflecting:
  - $17.0m increase in non-current inventory
  - $124.2m increase in current inventory
- Total Luxury inventory increased 10% to $959m
- Factors impacting the movement in inventory include:
  - High yielding, high quality 2017 vintage in Australia and high quality, lower yielding 2017 California vintage
  - The addition of Maison De Grand Esprit and Mouton Cadet inventory, and impact of reduced US shipments ahead of route-to-market changes
  - Uplift in current inventory, driven by strong demand for TWE's Luxury and Masstige wine portfolios over the next 12 months
  - Continued focus on optimising TWE's inventory mix; Commercial inventory higher vs. 1H17, but reduced since June 2017, driven by exit of c.1m 9Le cases of lower margin volume

1. *Inventory composition subject to rounding. Totals based on sum of Non-Current and Current Inventory*
2. *TWE participates in three segments: Luxury (A$20+), Masstige (A$10-A$20) and Commercial (A$5-A$10). Segment price points are retail shelf prices*

Robert Foye | Chief Operating Officer and President Americas

Peter Dixon | Managing Director North Asia and Global Travel Retail

Tim Ford | Managing Director, Europe, SEAMEA & Global Supply Chain

Angus McPherson | Managing Director, ANZ

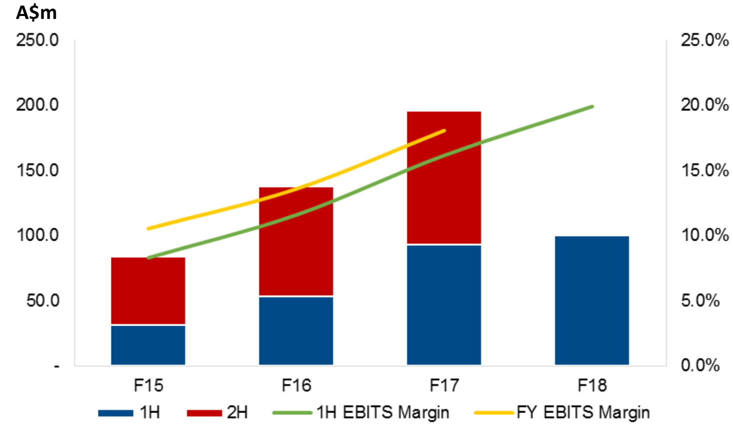
Michael Clarke | Summary & Outlook

Americas

Americas regional performance[1]

A$m	1H18	1H17	%	1H17	%
		Reported currency		Constant currency	
Volume (m 9Le)	7.3	8.1	(9.8)%	8.1	(9.8)%
NSR (A$m)	503.8	576.6	(12.6)%	562.5	(10.4)%
NSR per case (A$)	69.15	71.39	(3.1)%	69.64	(0.7)%
EBITS (A$m)	100.4	93.3	7.6%	88.6	13.3%
EBITS margin (%)	19.9%	16.2%	3.7ppts	15.8%	4.1ppts

Historical EBITS & EBITS margin performance[2]



Margin accretion driven by Supply Chain savings and cost optimisation ahead of transformational route-to-market changes

- Headline volume decline reflects the proactive exit of lower margin Commercial volume following completion of Diageo Wine integration, one-off shipment reduction ahead of route-to-market changes (resulting in $10m EBITS impact[3]) and cycling of NPC[4] volume in 1H17
- US depletions growth positive once adjusting for exit of lower margin Commercial; combined Masstige and Luxury depletions up +13%
- Priority Masstige brands outperforming category in the US, supported by highly effective marketing and PR campaigns; 19 Crimes delivered retail sales volume growth of 131%, Matua grew by 35% and Sterling Vintner's Collection volume increased by 18%[5]
- Lower NSR per case reflects continued reallocation of brand building investment from A&P to D&R to drive brand availability, as well as adverse mix impact from shipment reduction associated with route-to-market transition
- F18 Americas EBITS expected to be broadly in line with F17 reported Americas EBITS of $189m, taking into account further distributor destocking[3], upfront investment and execution risk associated with implementing route-to-market changes in 2H18

1. *Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; 1H17 EBITS restated from $90.7m to $93.3m*
2. *Presented on a reported currency basis*
3. *One-off P&L impact from shipment reduction and distributor destocking expected to total c.$20m for the full year, with c.$10m recognised in 1H18*
4. *Non-Priority Commercial portfolio, divested in July 2016*
5. *As per IRI Market Advantage, Table $4+ excluding bag in box, 26 weeks ending 31/12/17, Total US Multi Outlet + Liquor*

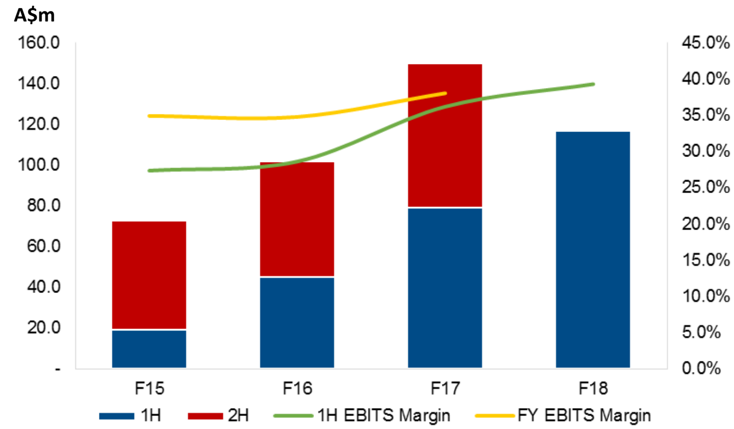
TWE

Asia

Asia regional performance

A$m	1H18	1H17	%	1H17	%
		Reported currency		Constant currency	
Volume (m 9Le)	2.4	1.7	43.6%	1.7	43.6%
NSR (A$m)	297.5	218.1	36.4%	217.8	36.6%
NSR per case (A$)	125.16	131.77	(5.0)%	131.59	(4.9)%
EBITS (A$m)	117.0	79.0	48.1%	79.4	47.4%
EBITS margin (%)	39.3%	36.2%	3.1ppts	36.5%	2.8ppts

Historical EBITS & EBITS margin performance[1]



Significant top line and EBITS growth driven by strength of route-to-market and broadened brand portfolio

- Exceptional volume growth in North Asia (+60%) and strong growth in SEAMEA (+15%)
- Outstanding depletions growth across key brands such as Penfolds, Rawson's Retreat and US portfolio, supported by strong in-market execution, particularly ahead of key consumption occasions; Mid Autumn Festival, Singles' Day, Christmas and Chinese New Year
- Improved price realisation contributed to NSR growth; lower NSR per case reflects mix impact of Masstige-led portfolio expansion
- China route-to-market further enhanced; warehouse now operational and delivering improved customer service and access to portfolio
- TWE is #1 imported wine business by value[2]; targeting #1 by volume and value supported by portfolio growth and route-to-market optimisation
- Earnings momentum expected to continue in 2H18. F18 EBITS expected to have higher 1H-weighting vs. F17, due to re-phasing of some luxury shipments from 2H18 to 1H18 to support increased demand ahead of key consumption occasions (e.g. Chinese New Year)
- Increased confidence in delivering an ongoing EBITS margin in the range of 32% to 37%

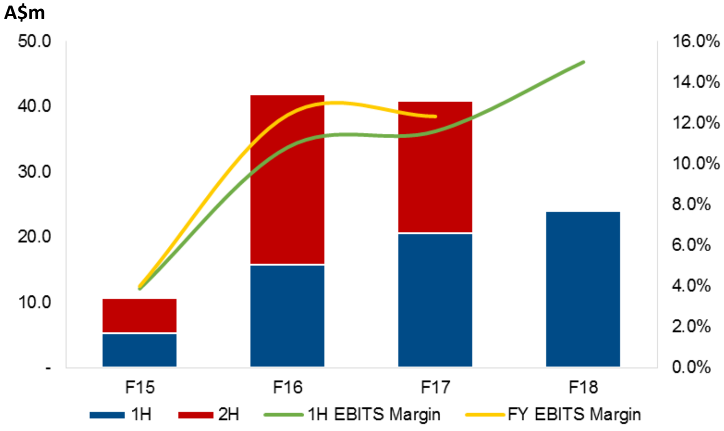
1. *Presented on a reported currency basis*
2. *IWSR Global Database 2016, based on still and fortified wine only*

Europe

Europe regional performance[1]

A$m	1H18	1H17	%	1H17	%
		Reported currency		Constant currency	
Volume (m 9Le)	4.5	4.8	(7.6)%	4.8	(7.6)%
NSR (A$m)	160.2	177.2	(9.6)%	178.2	(10.1)%
NSR per case (A$)	35.90	36.69	(2.2)%	36.89	(2.7)%
EBITS (A$m)	24.0	20.5	17.1%	23.7	1.3%
EBITS margin (%)	15.0%	11.6%	3.4ppts	13.3%	1.7ppts

Historical EBITS & EBITS margin performance[2]



Margin accretion delivered, supported by incremental Supply Chain savings, and optimisation of A&P and Overheads

- Volume decline driven by exit from lower margin and underbond market Commercial volume, following completion of Diageo Wine integration
- Excluding impact of exiting this Commercial volume, Europe delivered underlying volume growth of 1%
- Strong UK retail sales volume growth for priority brands Wolf Blass (+13%), Lindeman's (+28%), and 19 Crimes (+111%)[3], supported by targeted brand building investment, such as Wolf Blass' TV campaign focused on International Wine Challenge award wins[4]
- Strengthened partnerships with key European retailers driving improved distribution of priority brands
- Favourable movement in COGS per case and CODB margin driving margin accretion
- Focus in 2H18 will continue to be on strengthening partnerships with strategic customers, maintaining an efficient organisational structure and delivering against the double-digit EBITS margin objective

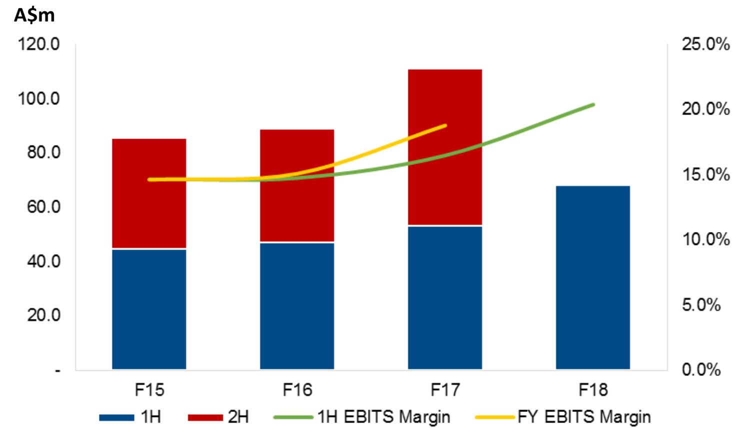
1. *Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; 1H17 EBITS restated from $23.1m to $20.5m*
2. *Presented on a reported currency basis*
3. *Nielsen, Total Coverage, Total Still Light Wine, 26 weeks ending 30 December 2017 (750ml bottle still wine only)*
4. *Wolf Blass has won the International Wine Challenge Red Winemaker of the Year award three times in the last 10 years*

Australia & New Zealand

ANZ regional performance

A$m	1H18	1H17	%	1H17	%
		Reported currency		Constant currency	
Volume (m 9Le)	4.3	4.2	3.2%	4.2	3.2%
NSR (A$m)	333.9	322.8	3.4%	321.6	3.8%
NSR per case (A$)	77.45	77.25	0.3%	76.97	0.6%
EBITS (A$m)	68.2	53.1	28.4%	54.0	26.3%
EBITS margin (%)	20.4%	16.4%	4.0ppts	16.8%	3.6ppts

Historical EBITS & EBITS margin performance[1]



Strong strategic customer relationships and category-leading insights supporting top line growth in a mature market

- EBITS growth driven by top line expansion from increased volume and NSR per case, Supply Chain savings, and a $4m one-off benefit from profit on sale of assets
- Strong retail sales performance of Masstige growth brands, supported by digital marketing and in-store promotions; in particular, 19 Crimes (+44% volume growth), Squealing Pig (+53%) and Lindeman's Gentleman's Collection (+9%)[2]
- NSR per case slightly higher, driven by premiumisation and enhanced price realisation across certain Luxury brands (e.g. Penfolds); partially offset by lower NSR per case in New Zealand following transition to new distributor model
- Relationships with strategic customers remain strong and collaborative; supported by joint business planning
- Successful transition to distributor route-to-market model in New Zealand, in partnership with Independent Liquor New Zealand
- F18 EBITS expected to be 1H-weighted due to some demand-driven re-phasing of luxury product allocations from 2H18 to 1H18, and the one-off benefit relating to profit on asset sales recognised in 1H18

1. *Presented on a reported currency basis*
2. *Aztec Sales Volume Data | Bottled Wine Only | Australia Liquor Weighted | Scan 26 weeks to 31 December 2017*

Summary and outlook

- TWE's top priority across all our regions, is building collaborative relationships with key customers
- Diageo Wine integration now complete
- US route-to-market changes expected to enhance competitive positioning and drive portfolio growth
  - Transition now underway; changes to be fully embedded by 2H19
- TWE remains aligned with the current F18 consensus EBITS forecast of $524m[1]
- EBITS growth expected to accelerate to approximately 25% in F19
- TWE committed to a journey of margin improvement, that over time delivers an EBITS margin of 25%

1. *As per Bloomberg, 30 January 2018*

Questions


SEPPELT
ST. PETERS
GRAMPIANS SHIRAZ
SALTRAM
No.1
BAROSSA
RIESLING
PROSECCO
T'GALLANT
BRIGHT & ZESTY
DEVIL'S LAIR
RESERVE
PINOT NOIR
YARRA VALLEY
heemskerk
The Stag
BAILEYS of GLENROWAN
CLASSIC MUSCAT

Disclaimer

Summary information

The material in this presentation is summary information about Treasury Wine Estates Limited (TWE) and its subsidiaries and their activities, current as at the date of this presentation unless otherwise stated. It should be read in conjunction with TWE's other announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au.

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Supplementary Information

Impact of foreign exchange rate movements & hedging

1H18 constant currency impact

CFX Impact (A$m)			
Currency	**Underlying**	**Hedging[2]**	**Total**
AUD/USD and AUD/GBP	(4.4)	0.4	(4.0)
Net other currencies	3.8	(0.1)	3.7
1H18	**(0.6)**	**0.3**	**(0.3)**
AUD/USD and AUD/GBP	(20.9)	5.4	(15.5)
Net other currencies	7.0	(0.2)	6.8
1H17	**(13.9)**	**5.2**	**(8.7)**

- $(0.3)m adverse constant currency impact in 1H18 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
  - $(4.4)m adverse impact from appreciation of the AUD relative to the main currency pairs (USD and GBP), offset by $3.8m benefit largely reflecting movements in TWE's primary revenue currencies[1]
  - $0.3m relative benefit from hedging in 1H18 versus the prior year ($2.0m realised gain in 1H18 versus $1.7m gain in the prior year based on constant currency)

2H18 EBITS sensitivity and risk management

Currency Pair	Primary Exposure	Movement	EBITS Sensitivity (A$m)
AUD/USD	COGS, EBITS	+ 1%	(1.7)
AUD/GBP	COGS, EBITS	+ 1%	(0.6)
CAD/USD	NSR	+ 1%	0.5
EUR/GBP	NSR	+ 1%	0.5
USD/GBP	COGS	+ 1%	(0.2)

- The sensitivity of EBITS to a 1% change in primary cost and revenue currencies is shown in the accompanying table (excludes potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and lower Masstige price segments:
  - AUD/GBP: c.80% of 2H18 exposure protected against appreciation of the exchange rate above 0.57
  - AUD/USD: c.65% of 2H18 exposure protected against appreciation of the exchange rate above 0.76
  - Modest hedge positions in place for other currency exposures, with hedge positions structured to provide significant participation in favourable exchange rate movements

[1] USD relative to the CAD in the Americas, GBP relative to the EUR, SEK and NOK in Europe
[2] CFX hedging impact relative to the prior year

Definitions

Term	Definition
Constant currency	Throughout this presentation, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates
NSR	Net sales revenue
EBITDAS	Earnings before interest, tax, depreciation, amortisation, material items & SGARA
EBITS	Earnings before interest, tax, material items and SGARA
EBIT	Earnings before interest, tax and material items
Exchange rates	Average exchange rates used for profit and loss purposes in the 1H18 results are: $A1 = $US 0.7789 (1H17: $A1 = $US 0.7539), $A1 = GBP 0.5910 (1H17 $A1 = GBP 0.5902). Period end exchange rates used for balance sheet items in 1H18 results are: $A1 = $US 0.7799 (1H17: $A1 = $US 0.7219), $A1 = GBP 0.5801 (1H17: $A1 = GBP 0.5887)
SGARA	Australian accounting standard AASB 141 “Agriculture”. From 1 July 2016, changes to AASB 141 applied in respect of vine assets. Vines are no longer recorded at fair value, but are recorded at cost and depreciated
Shipment	Shipments refer to volume movement from TWE to a third party off-premise or on-premise distributor or retailer
Depletion	Depletions refer to volume movements from a distributor to an on-premise or off-premise retailer